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## PRESS RELEASE

# New tax rules for second homes

**The Welsh Government has announced an increase to the maximum level of council tax premiums for second homes, as well as new local tax rules for holiday lets.**

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The changes represent more steps taken to ensure people can find an affordable home in the place they have grown up.

The measures are part of a wider commitment to address the issue of second homes and unaffordable housing facing many communities in Wales, as set out in the Co-operation Agreement between the Welsh Government and Plaid Cymru.

The commitment is to take immediate and radical action using the planning, property and taxation systems.

The maximum level at which local authorities can set council tax premiums on second homes and long-term empty properties will be increased to 300%, which will be effective from April 2023.

This will enable councils to decide the level which is appropriate for their individual local circumstances. Councils will be able to set the premium at any level up to the maximum, and they will be able to apply different premiums to second homes and long-term empty dwellings.

Premiums are currently set at a maximum level of 100% and were paid on more than 23,000 properties in Wales this year. Local authorities opting to apply premiums have access to additional funding, and the Welsh Government has encouraged councils to use these resources to improve the supply of affordable housing.

The criteria for self-catering accommodation being liable for business rates instead of council tax will also change from April 2023.

Currently, properties that are available to let for at least 140 days, and that are actually let for at least 70 days, will pay rates rather than council tax. The change will increase these thresholds to being available to let for at least 252 days and actually let for at least 182 days in any 12-month period.

The change is intended to provide a clearer demonstration that the properties concerned are being let regularly as part of genuine holiday accommodation businesses making a substantial contribution to the local economy.

Both changes follow a consultation processes including businesses, the tourism industry and local communities.

Rebecca Evans, Minister for Finance and Local Government, said:

These changes will give more flexibility to local authorities and provide more support to local communities in addressing the negative impacts that second homes and long-term empty properties can have. They are some of the levers we have available to us as we seek to create a fairer system.

We will continue to make every effort to increase the supply and availability of houses, as shown by the £1bn of funding to build 20,000 low carbon social homes, contained in the budget I published at the end of last year.

Designated Member Sian Gwenllian MS said:

It is clear that we as a country are facing a housing crisis. So many people cannot afford to live in their local areas, and the situation has worsened during the pandemic. These changes will make a difference, enabling councils to respond to their local circumstances, and start to close the loophole in the current law. It's a first, but important, step on a journey towards a new housing system that ensures that people have the right to live in their community.

Through the Co-operation Agreement, we are committed to introducing a package of measures to tackle the injustices in the housing market. Today's announcement is just one part of that wider

package. Second homes are a symptom of a wider problem - a market that treats property, not as a home, but as a way of making a profit. By working across the parties in the Senedd, we will introduce more measures, as soon as we can, to make house prices and rents genuinely affordable for people.

Last summer the Welsh Government outlined a three-pronged approach to address the impact of second home ownership faced by Welsh communities. This seeks to address the affordability and availability of housing, amend the regulatory framework and system, and ensure second home-owners make a fair and effective contribution to the communities in which they buy.

Julie James, Minister for Climate Change, added:

We want people to be able to live and work in their local communities. But we know rising house prices are putting them out of reach of many people, exacerbated by the cost-of-living crisis we are facing.

“There is no easy answer or quick fix solution. This is a complex problem that requires a wide range of actions. We continue to carefully consider further measures that could be introduced, and these changes are the latest steps we are taking to increase the availability of homes and ensure a fair contribution is made.

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